



September 22, 1977

DEAR SHAREHOLDERS

As you are no doubt aware, trading in our stock was recently suspended on the Montreal and American Stock Exchanges. We issued a press release on September 19, 1977, as a result of these suspensions and, at the request of The American Stock Exchange, I am enclosing a copy of our release along with this letter.

Very truly yours,

Irving Gould
Chairman of the Board

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COMESMAC PLA

ABORADO NYK

SEPTEMBER 19, 1977

ATTN: CHRISTOPHER FISH

THERE FOLLOWS THE TEXT OF THE PRESS RELEASE:

QUOTE

PRESS RELEASE

IN RESPONSE TO A CEASE TRADING ORDER ISSUED BY THE QUEBEC SECURITIES COMMISSION, THE MONTREAL STOCK EXCHANGE HALTED TRADING ON SEPTEMBER 15, 1977 IN THE SHARES OF COMMON STOCK OF COMMODORE INTERNATIONAL LIMITED, A BAHAMIAN COMPANY. THE QUEBEC SECURITIES COMMISSION REPORTED THAT IT WAS CONDUCTING AN INVESTIGATION INTO THE RECENT TRADING ACTIVITIES AND PRICE RISES IN COMMODORE'S STOCK AND THAT THE COMMISSION HAD REASON TO BELIEVE THAT SUCH ACTIVITIES MAY HAVE RESULTED FROM FICTITIOUS TRADING. THE AMERICAN STOCK EXCHANGE ALSO HALTED TRADING ON SEPTEMBER 15TH PENDING CLARIFICATION OF THE ANNOUNCED INVESTIGATION AND TRADING SUSPENSION IN MONTREAL. THE TRADING HALT WAS CONTINUED BY THE AMERICAN STOCK EXCHANGE PENDING THE DISSEMINATION OF A NEWS RELEASE FROM THE COMPANY. PURSUANT TO A RESOLUTION OF THE BOARD OF DIRECTORS OF COMMODORE DATED SEPTEMBER 7, 1977, THE MONTREAL STOCK EXCHANGE ON SEPTEMBER 16, 1977 ACCEPTED THE VOLUNTARY DELISTING OF COMMODORE'S COMMON STOCK EFFECTIVE THE OPENING OF BUSINESS ON SEPTEMBER 19, 1977.

THE COMPANY AND ITS DIRECTORS AND EXECUTIVE OFFICERS HAVE NO KNOWLEDGE OF ANY FICTITIOUS TRADING IN THE COMPANY'S STOCK. SINCE JANUARY 1, 1977 THERE HAVE BEEN NO PURCHASES OR SALES OF COMMODORE'S STOCK BY THE COMPANY'S MANAGEMENT, INCLUDING THE CONTROLLING STOCKHOLDERS WHO SERVE AS DIRECTORS AND OFFICERS, OR THEIR AFFILIATES OR ASSOCIATES EXCEPT FOR SALES OF 5,500 SHARES BY A BANKING AFFILIATE OF A CONTROLLING STOCKHOLDER FOR THE BENEFIT OF AN UNRELATED PARTY. DURING THIS PERIOD, THE TWO OUTSIDE DIRECTORS WHO ARE NOT OFFICERS OF THE COMPANY SOLD 1,000 AND 36,000 SHARES, RESPECTIVELY. IN ADDITION, THE OUTSIDE DIRECTOR WHO SOLD 36,000 SHARES ALSO PURCHASED AN AGGREGATE OF 10,300 SHARES DURING THIS PERIOD.

ON JULY 5 AND SEPTEMBER 13, 1977, PUBLIC RELEASES WERE ISSUED BY COMMODORE TO THE EFFECT THAT THERE WERE NO UNANNOUNCED CORPORATE DEVELOPMENTS WHICH COULD ACCOUNT FOR THE PRICE RISE AND INCREASED TRADING IN THE COMPANY'S STOCK. WHILE THE COMPANY CONTINUES TO BE UNAWARE OF ANY SPECIFIC UNDISCLOSED CORPORATE DEVELOPMENTS WHICH COULD ACCOUNT FOR SUCH ACTIVITY, THE COMPANY BELIEVES IT APPROPRIATE TO PROVIDE CURRENT INFORMATION WITH RESPECT TO THE COMPANY'S PREVIOUSLY ANNOUNCED PRODUCT DEVELOPMENT AND BUSINESS ACTIVITIES.

AS FIRST DISCLOSED IN THE SECOND QUARTER REPORT TO STOCKHOLDERS, THE COMPANY HAS DEVELOPED A NEW MINI COMPUTER CALLED THE "PET" WHICH IS DESIGNED FOR USE IN THE HOME. WHILE THE SECOND QUARTER REPORT INDICATED THAT DELIVERIES OF THE "PET" COMPUTER WOULD COMMENCE THIS SUMMER, THE COMPANY NOW EXPECTS TO COMMENCE COMMERCIAL PRODUCTION AND DELIVERY IN OCTOBER 1977. THE COMPANY'S PLANS CALL FOR PRODUCTION OF THE "PET" COMPUTER AT EXISTING COMPANY FACILITIES IN SANTA CLARA, CALIFORNIA AND OSAKA, JAPAN. THE SANTA CLARA FACILITY WAS FORMERLY USED FOR STORAGE OF INVENTORY AND THE OSAKA FACILITY IS CURRENTLY BEING USED FOR A VARIETY OF PRE-PRODUCTION ACTIVITIES IN CONNECTION WITH THE "PET" COMPUTER AND OTHER COMPANY PRODUCTS. THE COMPANY BELIEVES THAT THESE FACILITIES WILL BE ADEQUATE TO PRODUCE AT THE LEVEL OF APPROXIMATELY 10,000 UNITS PER MONTH BY JUNE 1978. THE COMPANY HAS TO DATE RECEIVED FIRM ORDERS FOR APPROXIMATELY 1,000 "PET" COMPUTER UNITS.

SIMILAR TO THE METHOD OF MARKETING ITS CALCULATOR PRODUCTS, THE COMPANY PLANS TO MARKET THE "PET" COMPUTER BY DIRECT SALES TO CONSUMERS THROUGH MAGAZINE AND DIRECT MAIL SOLICITATION, RETAIL STORES, COMPUTER AND OFFICE MACHINE DEALERS, AND A LARGE NATIONAL MASS MARKETING COMPANY AS YET TO BE SELECTED BY COMMODORE.

APPROXIMATELY 40 PERCENT OF THE COMPONENTS REQUIRED BY THE "PET" COMPUTER WILL BE MANUFACTURED AT THE COMPANY'S OWN FACILITIES IN VALLEY FORGE, PA. HOWEVER, APPROXIMATELY 60 PERCENT OF THE REQUIRED COMPONENTS WILL BE OBTAINED FROM OUTSIDE SOURCES. THE COMPANY BELIEVES THAT THOSE REQUIRED COMPONENTS ARE AVAILABLE FROM A NUMBER OF SOURCES, AND PRESENTLY HAS CONTRACTS WHICH ARE EXPECTED TO ENSURE DELIVERY SUFFICIENT FOR FUTURE ORDERS OF THE "PET" COMPUTER.

IN THE FIRST QUARTER OF FISCAL 1978, ENDING SEPTEMBER 30, 1977, THERE WILL BE NO SALES OF "PET" AND WHILE THE COMPANY EXPECTS THAT "PET" SALES WILL COMMENCE IN THE SECOND QUARTER OF THE 1978 FISCAL YEAR AND BECOME APPROXIMATELY 25 PERCENT OF THE COMPANY'S SALES BY JUNE 30, 1978, THERE CAN BE NO ASSURANCE THAT ORDERS FOR "PET" COMPUTERS WILL REACH THESE LEVELS. IN SPITE OF MANAGEMENT'S CURRENT EXPECTATIONS, THERE CAN BE NO ASSURANCE THAT ITS HOME COMPUTER BUSINESS WILL BE PROFITABLE.

IN FISCAL 1976, THE COMPANY'S BUSINESS CONSISTED OF APPROXIMATELY 95 PERCENT ELECTRONIC CALCULATORS AND 5 PERCENT STEEL OFFICE FURNITURE. IN FISCAL 1977, THE COMPANY HAD DIVERSIFIED ITS RANGE OF PRODUCTS SO THAT ITS BUSINESS CONSISTED OF APPROXIMATELY 45 PERCENT ELECTRONIC CALCULATORS, 30 PERCENT ELECTRONIC WATCHES, 17 PERCENT MOS AND OTHER COMPONENTS AND 8 PERCENT STEEL FURNITURE AND OTHER STEEL CONSUMER PRODUCTS.

AS PREVIOUSLY RELEASED, COMMODORE REPORTED UNAUDITED NET SALES FOR THE NINE MONTHS ENDED MARCH 31, 1977 OF \$33,864,000 COMPARED TO COMPARABLE YEAR-EARLIER 1976 NINE MONTH NET SALES OF \$47,317,000. FOR THE NINE MONTHS ENDED MARCH 31, 1977, COMMODORE ALSO REPORTED UNAUDITED EARNINGS BEFORE TAXES AND EXTRAORDINARY ITEMS OF \$1,930,000 COMPARED TO \$3,702,000 FOR THE COMPARABLE NINE MONTH PERIOD IN 1976.

ALTHOUGH THE COMPANY DOES NOT NORMALLY RELEASE FOURTH QUARTER FINANCIAL RESULTS UNTIL COMPLETION OF ITS AUDIT, PRELIMINARY INDICATIONS ARE THAT COMMODORE WILL REPORT NET SALES OF APPROXIMATELY \$12.3 MILLION AND A PROFIT BEFORE TAXES AND EXTRAORDINARY CREDITS OF APPROXIMATELY \$150,000 FOR THE FOURTH QUARTER ENDED JUN 30, 1977, COMPARED TO YEAR-EARLIER FOURTH QUARTER NET SALES OF \$8.6 MILLION AND A LOSS BEFORE TAXES AND EXTRAORDINARY ITEMS OF \$306,000.

UNQUOTE

BEST REGARDS
JANNA ELLWIN

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